Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application of BellSouth Corporation,	)	CC Docket No. 98-121
BellSouth Telecommunications, Inc.	)	
and BellSouth Long Distance, Inc.	)	
for Provision of In-Region, InterLATA	)	
Services in Louisiana	)	

Exhibit C:
Declaration of Glen Grochowski
on Behalf of MCI Telecommunications Corporation

BEFORE THE
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Application of BellSouth Corporation,	)
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DECLARATION OF GLEN GROCHOWSKI
on Behalf of MCI Telecommunications Corporation

1. My name is Glen Grochowski, and I am a Senior Engineer II at MCI Telecommunications Corporation. I have been employed at MCI for over five years -- for the last three years I have been working on DSL (Digital Subscriber Line) and DLC (Digital Loop Carrier) technology. I have a B.S. in electrical engineering from Arizona State University. I have been asked to review and comment upon statements made by W. Keith Milner on behalf of BellSouth Telecommunications, Inc., filed by BellSouth as part of its application to provide in-region interLATA service in Louisiana.

2. Mr. Milner states that BellSouth will not provide MCI or other competitive local exchange carriers ("CLECs") loops served by integrated digital loop carriers ("IDLC"). BellSouth's refusal to provide IDLC loops in combination with the switch port is not due to any technical limitation. BellSouth could easily provide CLECs with an IDLC loop in combination with the switch, since these elements are fully integrated in its network. But precisely because the IDLC loop is integrated into the line port of the switch and cannot be separated from the port,

BellSouth claims it has no obligation to provide IDLC loops to CLECs. Its refusal to do so is based entirely on its interpretation of the Act, not on technical considerations.

3. Indeed, BellSouth apparently will go to extraordinary efforts to keep competitors from being able to lease an IDLC loop. According to Mr. Milner, BellSouth will respond to an order for an IDLC loop first by traveling to the remote terminal and separating the copper wire pair that connects the residence to the DLC. Then, assuming that the DLC was installed to replace copper facilities, BellSouth will connect that wire pair to the old copper wires that it retired from service when it installed the DLC, bypassing the DLC altogether. In other words, BellSouth will not allow CLECs to lease DLC loops, but instead will force CLEC customers to use the inferior physical plant it replaced with its DLC service.

4. This is an unacceptable, anticompetitive, proposal. A retired copper loop is not the same thing as a digital loop carrier. At the very least, the CLEC is getting an element that is more costly to operate than BellSouth's DLC loop. DLCs concentrate traffic and are much more efficient than routing individual copper pairs directly from the central office to each subscriber's premise for each line required. BellSouth is refusing to share these efficiencies with its competitors. There can be no fair and even competition when BellSouth tears apart its network for the purpose of providing its competitors with inferior facilities.

5. Worse still, the customer unfortunate enough to lose its digital service and be consigned to old copper might well suffer noticeable degradation in service. There is a reason BellSouth replaced this copper with fiber. Depending upon its age and condition, the copper may not provide reliable service. Depending also on the copper's length as well as condition, the customer could experience an appreciable degradation in voice quality -- hisses and cracks that were not present when BellSouth was providing service through a DLC.

6. Voice modems also will offer degraded service. Depending upon the length and quality of the copper wire brought back into service, an Internet user with a 33.6 modem may well receive noticeably slower modem bit-rates due to the fact that the signal is traveling much further on analog copper wire than if it were connected to a DLC and had a digital transmission facility connecting it to the central office switch. Presumably, many CLEC customers who experience these problems will switch back to the superior service offered by BellSouth.

7. ISDN service will also not be available for many customers because ISDN cannot work if carried on analog copper loop for more than 18,000 feet. BellSouth may in some circumstances be able to provide ISDN service on long copper wire by installing repeaters, but this requires access to cabinet space, power, and copper plant in the field, which are not available to competitors.

8. As Mr. Milner points out in his affidavit, the situation is different in those few BellSouth facilities in which it has installed "next generation" IDLC, or "NGDLC." There, BellSouth promises to "groom" individual loops off of the digital loop carrier and transport them to its central office through its digital transport facilities. The CLEC will be able to take advantage of the DLC.

9. Generally speaking, this is an appropriate method of providing NGDLC loops to CLECs. I note, however, that BellSouth makes several important qualifications, which limit the utility of this option. First, Mr. Milner indicates that "only a small percentage of lines are served via NGDLC." Milner Aff. ¶ 56. And even within that small percentage, BellSouth will offer only a "limited" number of NGDLC loops to CLECs. Id. ¶ 55. Some unspecified number, Mr. Milner asserts, will be "reserved" to support its own customer needs. Id. ¶ 57. Finally, he asserts

that NGDLC loops will be provided to CLECs only when its NGDLC system is "fully approved," id., a further limitation I do not understand, and therefore cannot comment on.

10. There are also important technical limitations that Mr. Milner does not discuss. First, although an NGDLC system has the capacity to serve more than one host switch, it only has the capacity to serve seven or eight. This capacity would open up many opportunities for CLECs, but BellSouth's substitute will not be able to accommodate demand if ten or twenty different CLECs win customers served by the same NGDLC system. There are also limits to the number of different DS-1s that an NGDLC system can carry (generally 84 DS-1s), which further restricts the ability of this substitute to provide adequate service to competitors.

11. Second, the NGDLC loop can be "groomed" at either end -- at the remote terminal or at the switch. I understand BellSouth to be offering to groom the circuit at the remote terminal, requiring MCI to lease DS-1 lines to carry the traffic back either to the BellSouth switch or to an MCI switch. This is an efficient way to move the traffic if MCI is serving eight to ten customers' lines off of the remote terminal. However, if we have fewer customers, it would be inefficient to have to lease a DS-1 to carry the traffic, since a DS-1 serves up to 24 lines. In such a situation, the most efficient solution would be to carry the traffic back to the central office on BellSouth's loop, where the facility could then be groomed to the CLEC. BellSouth apparently is unwilling to provide this capability, apparently because it would require BellSouth to use its switch to perform the grooming function, which it appears to be unwilling to do.

12. BellSouth's refusal to offer IDLC loops to its wholesale customers has a second critical consequence, involving data traffic. The majority of future growth in the telecommunications market will involve data traffic. Access to xDSL-capable loops therefore is

critical to the future of any CLEC. And the ability to make use of upgraded xDSL electronics when they are installed at remote terminals is critical for access to xDSL-capable loops. Together, the two technologies make it possible to provide a great many residential customers high-speed data service. But if BellSouth forces MCI onto copper, and will not allow MCI to share in the advantages of BellSouth's remote terminals, MCI will not be able to offer its customers xDSL service at the same bit-rate and level of quality as enjoyed by BellSouth's customers -- or will not be able to provide xDSL services at all.

13. This is so because a critical limitation on the use of xDSL technology is the length of the copper segment of the loop. The precise limits vary depending upon the particular variety of xDSL technology. The general rule, however, is that the longer the copper wire, the slower the data speed. For example, the most widely deployed xDSL system, called Asymmetric Digital Subscriber Line ("ADSL"), loses much of its speed after traveling 12,000 feet on copper, and stops working altogether at 18,000 feet. The use of remote terminal carriers greatly increases the number of customers that can make use of xDSL service for the simple reason that these terminals greatly reduce the amount of copper used to provide service.

14. Carriers such as BellSouth are able to use xDSL technology in conjunction with some of the newer IDLC technology by adding a line card upgrade to the DLC system at the remote terminal, or, alternatively, by adding a separate piece of electronics (an xDSL remote mux) at the terminal. These are cost-effective solutions because they allow carriers to use their current DLC infrastructure to provide xDSL service. By making these changes, BellSouth can then use its existing fiber to transmit both voice and data signals back to its central office, using different transmission bandwidth for the voice signal and for the data signal that carries the

xDSL service. Because of the great number of residential customers served through DLC systems, this is an important means of providing data service, especially in suburban areas.

15. However, if BellSouth refuses to allow CLECs access to its xDSL equipment at the remote terminal, as it refuses to allow access to its IDLC, CLECs will not likely be able to offer xDSL service to their customers. This is so because BellSouth is requiring CLECs to use its obsolete copper to carry traffic from the remote terminal to the central office. If the total length of copper from the central office to the remote terminal, added to the length of copper from the remote terminal to the home, is in excess of 12,000 feet, then CLECs will be unable to offer their customers some very high speed ADSL services, while those same customers using BellSouth's service through its remote terminal will be able to subscribe to ADSL service that can be provided with higher bit-rates due to the shorter copper loops used by BellSouth. Indeed, even if the total length of copper is less than 12,000 feet, it is possible that the CLEC will be unable to provide ADSL service, since copper of poor quality, or copper that is connected to other copper spurs through bridge taps, while it may prove adequate (or barely adequate) voice and voice modem service, may not be adequate for xDSL service.

16. While BellSouth asserts that it is willing to offer CLECs "ADSL conditioned loops," it is my understanding that BellSouth will not provide these loops in combination with the equipment that makes ADSL possible -- most particularly the line cards or "DSLAMs" (modem pools and common electronics at the DLC equipment or the central office). While it is MCI's preference in many situations to install a DSLAM at a BellSouth central office, that arrangement will not allow MCI to provide ADSL service to customers served through BellSouth remote terminals. The only way that MCI can offer ADSL service to these customers is if it is able to make use of ADSL equipment (DSLAMs or line cards) installed in the remote terminal.

And it is my understanding that BellSouth, like the other BOCs, is not offering to allow CLECs to use ADSL equipment installed at a remote terminal.

17. I say this is the only practical way to provide xDSL service to customers serviced through DLCs because unless the xDSL modem is located at the remote terminal, the distance between the end office and the residence may be too great to allow xDSL service to function. And it is impractical to create a network in which each CLEC is required to have its own xDSL equipment located at the remote terminal. First, the terminals are small, and there is not likely to be room for the equipment, even if the BOC were to allow it. In any event, it would be far too costly for each CLEC to have to install and maintain a separate DSLAM at each of the many remote terminals that connect to each end office. The only way that customers served off a DLC will be able to receive the benefits of competition for xDSL service is if the BOCs are required to lease the functionality of the xDSL technology located at their remote terminals. There is no technical reason for BellSouth to decline to lease xDSL functionality. It simply refuses to do so. Consequently, its offer to provide "ADSL conditioned loops" will not allow CLECs to compete in what is likely to be one of the most critical segments of the market in the coming years. A proposal that is supposed to create conditions that irreversibly open the local market but that does not allow for xDSL competition is a deeply flawed proposal.

I declare, under penalty of perjury, that the foregoing is true and correct.

7/31/98
Date

Glen Grochowski

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Exhibit D:
Declaration of Don Wood
on Behalf of MCI Telecommunications Corporation

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Second Application by BellSouth Corporation,	)	
BellSouth Telecommunications, Inc.	)	CC Docket No. 98-121
and BellSouth Long Distance, Inc.,	)	
for Provision of In-Region, InterLATA	)	
Services in Louisiana	)	

DECLARATION OF DON J. WOOD
On Behalf of MCI Telecommunications Corporation

I, Don J. Wood, being first duly sworn upon oath do hereby depose and state as follows:

Qualifications

1. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, which provides consulting services to the ratepayers and regulators of telecommunications companies.

2. I received a BBA in Finance with distinction from Emory University and an MBA with concentrations in Finance and Microeconomics from the College of William and Mary. My telecommunications experience includes employment in a management capacity at both a Regional Bell Operating Company ("RBOC") and an Interexchange Carrier ("IXC").

3. I was employed in the local exchange industry by BellSouth Services, Inc. in its Pricing and Economics, Service Cost Division. My responsibilities included performing cost analyses of new and existing services, preparing documentation for filings with state regulatory commissions and the Federal Communications Commission ("FCC"), developing methodology and computer models for use by other analysts, and performing special assembly cost studies.

4. After I left that position, I was employed in the interexchange industry by MCI Telecommunications Corporation ("MCI"), as Manager of Regulatory Analysis for the Southern Division. In this capacity I was responsible for the development and implementation of regulatory policy for operations in the southern U.S. I then served as a Manager in the Economic Analysis and Regulatory Affairs Organization, where I participated in the development of regulatory policy for national issues.

5. While employed in the BellSouth Service Cost organization, I had the opportunity to work with a number of cost models and to analyze and review the manner in which these models were used in the cost development process. Since that time, I have reviewed incremental cost studies performed by each of the seven RBOCs and a number of other Tier 1 Local Exchange Companies ("LECs"), including BellSouth. My review has included an evaluation of the methodologies, computer models and spreadsheets, and inputs/assumptions used. I have also been asked by regulators to develop detailed rules to be used by the LECs when performing Total Service Long Run Incremental Cost ("TSLRIC") studies. Incremental costing rules that I have developed have been adopted by the Delaware and Wyoming Public Service Commissions.

6. I have testified on telecommunications issues before the regulatory commissions of twenty-five states, the District of Columbia, Puerto Rico, and state courts. I have presented comments to the FCC on a number of cost-related issues.

Purpose of Declaration

7. The purpose of my declaration is twofold. First, to demonstrate that the absence of key rates associated with significant components of physical collocation, enhanced services, and for facilities BellSouth insists on substituting when loops are served by Integrated Digital Loop Carrier ("IDLC") facilities, acts as a serious impediment to local entry in Louisiana and, as a result, markets cannot be deemed fully and irreversibly open to competition at this time.

8. Second, to demonstrate that those rates that have been adopted by the Louisiana Public Service Commission ("LPSC") -- and are currently being offered by BellSouth -- are discriminatory, not cost-based and are consistently higher than rates based on an appropriate measure of forward-looking, efficient costs, however denominated. As a result, the rates BellSouth offers have a significant and detrimental impact on the ability of potential competitors to compete with BellSouth for the residence and business customers of local exchange service in Louisiana and are, therefore, a formidable barrier to local entry.

Summary of Findings

9. The absence of key rates associated with significant components of physical collocation, xDSL and IDLC makes it difficult and risky for potential competitors to enter local markets in Louisiana and, as a result, local markets cannot be considered fully or irreversibly open to competition at this time.

10. The rates that have been set and are being offered by BellSouth in Louisiana are not cost-based and are consistently higher than rates based on an appropriate measure of efficient, forward-looking costs. As a result, these rates preclude use of the purchase of unbundled network elements as an entry strategy into all local residential and business markets in Louisiana.

11. The rates BellSouth offers are not geographically deaveraged, but are based on statewide averages. As a result, the rates are higher than BellSouth's costs in the densest areas of Louisiana and will have adverse effects on the development of competition for local exchange services in these areas.

12. The loop rates BellSouth offers are inflated by at least 20 to 25 percent because they inappropriately included the embedded costs associated with BellSouth's existing network configuration.

13. BellSouth has further inflated the loop rates it offers by deliberately omitting shorter and cheaper multi-business loops from its loop sample. BellSouth has purposefully made it impossible for competitors, and even the LPSC staff consultant, to calculate the impact that the omission of these less costly loops has on the overall recurring loop rates. However, given that 12 percent of the total number of loops in Louisiana were excluded, the impact could well be significant.

14. BellSouth's recurring and non-recurring loop rates are also inflated because BellSouth includes in its loop cost studies the costs of inefficient, out-dated Universal Digital Loop Carrier ("UDLC") facilities rather than forward-looking IDLC facilities. BellSouth admits that IDLC is the forward-looking technology, and is considerably less costly and more efficient

than UDLC, and further admits that BellSouth is now deploying IDLC facilities to serve its own customers.

15. The rates BellSouth offers are also inflated because the staff consultant only partially corrected the erroneous fill factor assumptions used by BellSouth in its cost studies, which forces competitors to pay BellSouth's capacity costs of serving future customers and, where competitive LECs ("CLECs") will serve those future customers, BellSouth requires CLECs to pay BellSouth for this same capacity a second time.

16. The non-recurring rates BellSouth offers are inflated and a significant barrier to entry because they include unjustifiable manual labor tasks, such as 3.0833 hours for a BellSouth employee to simply conduct an office inquiry to find out if facilities are available to provision an xDSL circuit. This charge applies even if BellSouth is already providing xDSL service to a customer (and, therefore, BellSouth obviously knows proper facilities exist) and that customer is simply migrating to a competitor. Meanwhile, BellSouth's non-recurring rate for a 2-wire analog loop should be reduced by at least 30 percent because it reflects BellSouth's assumption that 20 percent of all 2-wire analog loop orders will be new connections for previously existing customers. But BellSouth projects the loop growth rate in Louisiana to be only 4.8 percent.

17. BellSouth's charge of $9.16 for OSS recovery imposes on new entrants the entire cost of OSS development and is, therefore, a classic barrier to entry -- a cost borne by an entrant that is not borne by the incumbent. Furthermore, assuming that the OSS recovery charge is appropriate -- which it is not -- BellSouth will realize a revenue windfall at the expense of its competitors after three years because neither BellSouth nor the LPSC has provided that the

charge is to terminate after BellSouth has fully recovered all of its OSS development costs after this three year period.

18. BellSouth's separate charge of $8.28 for vertical features, despite the fact that vertical features have no separate cost apart from the overall cost of the switch, seriously impedes the development of competition in local markets. Furthermore, because vertical features are a lucrative profit center for BellSouth and, with the $8.28 charge, will almost always be provided by competitors at a loss, the separate vertical features charge permanently places new entrants at a competitive disadvantage.

19. BellSouth's physical collocation rates are prohibitively and unnecessarily expensive because they reflect the cost of using gypsum and drywall for construction of collocation enclosures rather than simple metal cage materials. As a result, BellSouth has significantly raised the entry costs for its competitors at no cost to itself.

20. BellSouth charges new entrants the entire cost of interim number portability, in contravention of the competitively neutral standard of section 251(e)(2) of the Telecommunications Act of 1996 (the "Act"), and thereby creates a formidable barrier to entry.

21. BellSouth's failure to agree to symmetrical reciprocal compensation rates for interconnection ensures it a competitive advantage over new entrants and rewards BellSouth for the inefficiencies of its current network.

22. BellSouth's offer of contract service arrangements ("CSAs") at the 20.72 percent wholesale discount is merely interim until the LPSC sets a special discount applicable to CSAs and, as such, impedes competition because competitors will be reluctant to commit resources to

enter the local market on a large scale when a condition as important as what resale discount applies to CSAs remains uncertain.

There Are Still No Rates Associated with Significant Components of Physical Collocation, xDSL and IDLC

23. Significant rates associated with physical collocation, xDSL and IDLC have still not been specified by BellSouth or permanently adopted by the LPSC. As a result, local markets in Louisiana cannot be considered fully or irreversibly open to competition at this time

24. In the case of physical collocation, BellSouth and the LPSC still have not specified a space preparation fee, leaving this charge to be determined by BellSouth on an individual case basis ("ICB"). See Attachment "A" to Order No. U-22022/22093-A (consolidated), LPSC Docket Nos. U-22022/22093 (Oct. 24, 1997) ("Louisiana Pricing Order") (BST App. C-3, Tab 293). Thus, the nature and amount of this fee is left completely to the discretion of BellSouth, without any overview by the LPSC that the fee is cost-based and forward-looking.

25. The space preparation fee is assessed against collocators before any construction has begun on the collocation space and can include, but is not limited to, expenses of BellSouth such as renovation, asbestos abatements, renovation to HVAC, fire wall(s) construction, separate ingress/egress construction, and any other expenses unilaterally deemed necessary by BellSouth to make the collocation space ready for occupancy. See Draft Master Agreement attached to Affidavit of Pamela A. Tipton (BST App. A., Tab 24).

26. The space preparation fees charged by BellSouth in Florida, where the fee is also an ICB, illustrates how extremely high and widely varied this fee can be. BellSouth has charged

space preparation fees of: $150,000 in Miami, $96,000 in Hollywood, and $114,000 and $77,300 in Orlando.

27. The absence of a specific and predictable space preparation fee can seriously impede the development of local competition because it introduces unnecessary uncertainty into the process of obtaining physical collocation and raises the possibility of unreasonable prices. As a result, potential competitors are deterred from making physical collocation investments.[1]

28. The Georgia Public Service Commission ("Georgia PSC") recognized this danger and rejected BellSouth's proposal for having space preparation as an ICB, adopting a specific charge. The Georgia PSC stated that allowing an ICB for space preparation "represents a significant economic barrier to physical collocation, and ultimately facilities-based competition."[2]

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[1] See Evaluation of the United States Department of Justice, In the Matter of Application by BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana, CC Docket No. 97-231 (Dec. 10, 1997) at 26 (where DOJ stated that since physical collocation is a critical component of interconnection and access to unbundled network elements, "the absence of reasonable and predictable prices for collocation threatens to act as a formidable barrier to entry."). See also Memorandum Opinion and Order, In the Matter of Application of BellSouth Corporation, *et al.* Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services in South Carolina, CC Docket No. 97-208, 13 FCC Rcd. 539 (Dec. 24, 1997) at ¶ 204 (stating that "[t]he absence of any space preparation rates creates uncertainty for new entrants and requires further negotiation, undermining the premise of an SGAT, which is to contain sufficiently specific terms and conditions such that checklist items are generally offered and available to all interested carriers at concrete terms, rather than left largely to future negotiations.").

[2] Order Establishing Cost-Based Rates, GPSC Docket No. 7061-U (Dec. 16, 1997) ("Georgia Pricing Order") at 61 (Att. 1 hereto).

29. There are also no established rates for the special construction activities required if an existing loop must be modified to support xDSL facilities.[3] For example, some existing loops may require load coils to be removed or bridge taps to be minimized. Other loops may require modification to an existing digital loop carrier system by the addition of line cards or modems.

30. The non-recurring rates charged by BellSouth for xDSL-equipped loops do not include the costs of any of these special activities. The absence of reasonable and predictable rates reflecting what the non-recurring rates for xDSL-equipped loops should be if the existing loops require these special modifications acts as a formidable barrier to local entry, especially given the expected surge in demand for xDSL loops in the upcoming years.

31. Lastly, there are no rates for the facilities BellSouth insists on substituting when loops are currently served by IDLC facilities, and neither copper facilities or "Next Generation" IDLC are available.[4]

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[3] xDSL -- the generic reference to "digital subscriber line" -- is the newest available technology which offers improvements in the capability and speed of the incumbent's existing network. xDSL enables customers to obtain high-speed access to corporate networks and the Internet by employing electronics that boost the capacity, speed and capability of the existing telephone lines. Over xDSL-equipped loops (which includes the xDSL modem, the copper wire or fiber, the DSLM and, for loops connected to the switch by a digital loop carrier system ("DLC"), the DLC (including line cards and modems)), consumers can enjoy high-speed access to the Internet and corporate networks at speeds up to 50 times that of conventional modems.

[4] As explained more fully below, IDLC integrates the digital loop carrier system with the digital switch and, therefore, carries digital signals from the loop directly into the switch with no digital to analog conversions. IDLC has distinct cost and efficiency advantages over UDLC, which converts the digital signal to analog at the central office and then reconverts the signal to digital before it enters the digital switch. The "Next Generation" IDLC facilities are designed to provide even more efficiencies than older IDLC facilities, such as concentration and multi-switch hosting.

32. According to BellSouth witness W. Keith Milner, in cases where a CLEC wishes to purchase a loop served by IDLC facilities, and copper facilities, UDLC and "Next Generation" IDLC facilities are not available to allow the CLEC's traffic to bypass those IDLC facilities,[5] the CLEC must incur the added expense of either advancing the construction of a "Next Generation" IDLC system or pay the special construction charges for the capital and expense required for the conversion to UDLC.[6] Affidavit of W. Keith Milner at ¶ 58-60 (BST App. A, Tab 14).

33. These costs of bypassing BellSouth's IDLC facilities are not specified by BellSouth and have not been set by the LPSC. This uncertainty necessarily will cause competitors to be further reluctant to commit resources to enter the local markets on a large scale and, therefore, create a formidable barrier to local entry.

Those Rates That Have Been Set Are Not Cost-Based And Act as Barriers to Competition for Local Telephone Service In Louisiana

34. The rates BellSouth offers for unbundled network elements ("UNEs"), collocation and interconnection are those adopted by the LPSC in its Order of October 24, 1997. See Louisiana Pricing Order at 4-5. In that Order, the LPSC rejected the recommendation of the

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[5] BellSouth contends that it cannot sell CLECs loops served with older IDLC facilities because "BellSouth cannot provide an unbundled loop through integrated digital carrier loop facilities." Affidavit of Alphonso J. Varner on Behalf of BellSouth, CC Docket No. 97-231 (Nov. 3, 1997) at ¶ 89 (attached to BST's Nov. 6, 1997 Application as BST App. A, Tab 14) (Att. 2 hereto).

[6] Milner explains that if BellSouth's growth forecasts indicate that additional capacity will be required within 1 or 2 years, BellSouth will place "Next Generation" IDLC equipment now, but the CLECs are required to pay the advancement costs of such installation. If BellSouth determines that no additional growth facilities will otherwise be required within 2 years, then BellSouth will replace some existing IDLC capacity with UDLC and CLECs will be required to pay the special construction charges for the capital and expense required for this conversion. Affidavit of W. Keith Milner at ¶ 59 (BST App. A, Tab 14).

Administrative Law Judge ("ALJ") and instead relied exclusively on the recommendations presented by the staff consultant, Kimberly Dismukes.

35. The LPSC adopted the rates proposed by the staff consultant despite her admission that the scope and thoroughness of her analysis was significantly limited by time constraints. The staff consultant was given only one week by the LPSC to review all the relevant information and to recommend rates. Her written testimony, and her subsequent oral testimony, is replete with examples of the substantial limitations placed on her analysis because of lack of time.

36. For example, because of time constraints, the staff consultant focused her evaluation on the cost studies presented by BellSouth, ignoring completely the collocation cost model presented by MCI and AT&T. See Hearing Transcript, LPSC Docket No. U-22022 ("Hearing Transcript") (examination of Dismukes) at 3119 (BST App. C-3, Tab 281).

37. But even her analysis of BellSouth's cost studies was severely limited because of the time constraints and she acknowledges that she was unable to evaluate or verify many significant assumptions contained in BellSouth's cost models, including non-recurring costs, vertical features and OSS. Hearing Transcript (examination of Dismukes) at 2925, 3109-20.[7] In

[7] In her written testimony, the staff consultant stated that her ability to review and evaluate BellSouth's cost models was also limited because: (1) different parts of BellSouth's studies are in unlinked spreadsheets thereby requiring substantial amounts of manual data entry; (2) BellSouth's proprietary models do not allow the user to change key inputs; and (3) even in the nonproprietary models, certain key inputs are locked and cannot be changed. See Testimony of Kimberly H. Dismukes, LPSC Docket No. U-22022 (Sept. 22, 1997) ("Dismukes Testimony") at 5 (BST App. C-3, Tab 281).

these instances, the staff consultant fully accepted BellSouth's assumptions and used BellSouth's "numbers" as defaults in her calculation of rates for interconnection and unbundled elements.[8]

38. While the staff consultant's focus on just a single party's cost studies may have been her only option given her time limitations, such "cost study triage" is an extremely dangerous method of operation, especially when nothing less than the future of local competition in Louisiana is at stake. Without the time required for an adequate analysis of the merits of each proposed cost model, it is impossible for any analyst to make an informed decision regarding which cost models should be used to develop accurate and conceptually appropriate costs.

39. The process used by the staff consultant to develop rates lies in stark contrast to a process in which the analyst is given the opportunity to evaluate all proposed models, determine which model is most likely to yield results that are accurate and conceptually correct, and then fully evaluate the reasonableness of the model's inputs before recommending that the results of the model should form the basis for permanent rates.[9]

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[8] See Hearing Transcript (examination of Dismukes) at 2925, 3109-11, 3119-20; Transcript of the October 22, 1997 Open Session of the LPSC ("10/22/97 Open Session Transcript") at 87 (attached to BST's Nov. 6, 1997 Application as BST App. D, Tab 2); Dismukes Testimony at 42, 44 (Att. 3 hereto).

[9] Over the past ten years, I have evaluated over 300 cost studies in similar state proceedings, including many prepared by BellSouth. In many of those proceedings, the task I faced was identical to the one faced by the staff consultant in Louisiana -- to analyze computer cost models in order to determine if they apply conceptually valid costing principles and are sufficiently accurate to produce reliable measures of cost; to determine if the inputs and assumptions used are reasonable; and to recommend results based on this analysis. Based on my experience, I find it extremely unlikely that the abbreviated and limited evaluation process used by the LPSC to yield a measure of the cost of UNEs, collocation and interconnection was sufficiently accurate and reliable to serve as the basis for permanent rates.

40. The adverse effects of the staff consultant's time and resource limitations were acknowledged and addressed by the ALJ in her Final Recommendation. First, for those issues which the ALJ had conducted a more complete examination, the ALJ made recommendations based on that examination. For example, the ALJ concluded that the collocation model sponsored by MCI and AT&T -- a model which was not evaluated by the staff consultant due to time constraints -- best reflected both TELRIC costs and the costing principles adopted by the LPSC. See ALJ Final Recommendation, Docket No. U-22022 (Oct. 17, 1997) ("ALJ Final Rec.") at 55 (BST App. C-3, Tab 292).

41. Second, for issues in which the staff consultant's evaluation was limited or nonexistent, the ALJ recommended further proceedings so that a proper examination could be performed. Specifically, the ALJ recommended additional investigations into the cost of vertical switching features and appropriate rates of depreciation.[10] See ALJ Final Rec. at 39, 52.

42. Third, for issues which were not addressed by the staff consultant but which the ALJ found to be important, the ALJ made specific recommendations. For example, while the staff consultant did not address the issue of geographic deaveraging of rates, the ALJ stated that "the implementation of geographic deaveraging is necessary for the determination of accurate costs" and recommended that the LPSC "reject the use of statewide average rates for interconnection and unbundled network elements in favor of geographically deaveraged rates." See ALJ Final

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[10] In her "limited review" of the BellSouth cost study for vertical switching features, the staff consultant found that the BellSouth study is "poorly documented and offers little explanation of how the costs of vertical features were developed." See Dismukes Testimony at 44.

Rec. at 26. The ALJ recommended further proceedings so that the deaveraging issue could be fully investigated.

43. Fourth, the ALJ rejected certain conclusions of the staff consultant that were not based on "current independent analysis" and which presumably could have been performed if artificial time constraints had not been imposed by the LPSC. For example, the ALJ recommended a cost of capital 42 basis points below that recommended by the staff consultant. See ALJ Final Rec. at 30-31.

44. Nonetheless, the recommendations of the ALJ were rejected by the LPSC without comment or explanation and the LPSC adopted the staff consultant's proposed rates as "permanent cost-based rates." See Louisiana Pricing Order at 4-5.

45. But, as explained in detail below, these rates are not cost-based and, in fact, are consistently higher than rates based on an appropriate measure of efficient, forward-looking costs. As a result, the permanent rates adopted by the LPSC and currently offered by BellSouth in Louisiana preclude use of the purchase of unbundled network elements as an entry strategy into all local residential and business markets in Louisiana.[11]

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[11] Indeed, the recurring 2-wire analog loop rate adopted by the LPSC and being offered by BellSouth -- $19.35 -- is by itself at least $6.71 higher than BellSouth's retail residential rates for the same residential service (between $10.97 to $12.64). See Section A3.2.1 (Statewide Flat Rate Schedule for Basic Local Exchange Service) of BellSouth's Louisiana General Subscriber Services Tariff (issued April 29, 1998) at 1 (revised) (Att. 4 hereto).